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STATE REVOLVING FUND LOAN PROGRAM

Tennessee Department of Environment and Conservation



Clean Water State Revolving Fund (CWSRF)
Public Meeting
FY 2017 Intended Use Plan
June 9, 2017, 10:00 AM



FY 2017 Intended Use Plan



- Title VI of the Clean Water Act (CWA) established the Federal Clean Water State Revolving Fund (CWSRF) Program.
- Tennessee's CWSRF Program was created by the state's Wastewater Facilities Act of 1987.
- Authority has been delegated to TDEC to administer the CWSRF Program through an Operating Agreement with the US Environmental Protection Agency.

FY 2017 Intended Use Plan



- As part of the CWSRF Capitalization Grant Application, TDEC submits an Intended Use Plan (IUP) annually to the EPA.
- The IUP explains the intended uses of the funds in the SRF and describes how those funds support the goals of the SRF.

FY 2017 Intended Use Plan



- The IUP must be subject to public review and comment before being submitted to the EPA.
- This is the public meeting to introduce Tennessee's FY 2017 IUP for public comment.

Major Components of the IUP



- Priority Ranking List
- Project Funding Zone
- By-pass Procedures
- FY 2017 Capitalization Grant Requirements
- FY 2017 CWSRF Project Funding Criteria
- Financial Status of the CWSRF
- Short- and Long-term Goals
- Other Pertinent Information

Clean Water Priority System



The Priority Ranking List is developed based on the state Priority Ranking System Rules, Chapter 0400-46-01.

Priority List Funding Zone



- Funding letters will be mailed to each community on the priority ranking list after the EPA loan award date.
- Exceptions to the order of funding are allowed under special circumstances:
 - Emergency projects may be considered for funding ahead of other projects on a case-by-case basis.

Readiness to Proceed



- Preference will be given to projects that are ready to proceed with construction.
- To the extent possible, subsidy will be awarded to projects that are ready to proceed.
- Funds will continue to be set aside for small communities and for green infrastructure projects.

Capitalization Grant Requirements



- Additional subsidy through Principal Forgiveness
- GREEN Project Reserve set-aside
- Davis-Bacon Act wage rate requirements
- American Iron and Steel requirement
- General Accepted Accounting Standards
- Fiscal Sustainability Planning
- Cost and Effectiveness Analysis
- Reporting Requirements

Additional Subsidy



The FY 2017 Capitalization Grant (Cap Grant) allows up to a maximum of **\$1,925,900** of the Cap Grant be used towards additional subsidy in the form of Principal Forgiveness, negative interest, or grants, or any combination of these.

Clean Water GREEN Project Reserve (GPR)



The FY 2017 Capitalization Grant requires that a minimum of **10%** of the Grant **(\$1,925,900)** be set aside as a GREEN Project Reserve (GPR) to fund projects with a GREEN component.

Davis-Bacon Act and American Iron and Steel (AIS)



Davis-Bacon Wage Rates and American Iron and Steel will be a requirement for any treatment works project funded in whole or in part by CWSRF.

General Accepted Accounting Standards (GAAP)



The FY 2017 Cap Grant will require loan recipients to maintain project accounts according to GAAP as issued by the Government Accounting Standards Board (GASB) including standards relating to the reporting of infrastructure assets.

Fiscal Sustainability Plan (FSP)



CWSRF borrowers must develop and implement a FSP for projects classified as “treatment works” proposed for repair, replacement, or expansion.

OR

Certify that SRF borrowers have developed and implemented a FSP **or** a certification would be submitted to the SRF Loan Program before loan approval stating that the FSP would be completed and in place by the notice to proceed.

Fiscal Sustainability Plan (FSP)



Minimum requirements for FSPs:

- An inventory of the critical assets that are part of the treatment works,
- An evaluation of the condition and performance of the critical assets,
- Implementation of water and energy conservation efforts,
- A plan for maintaining, repairing, and replacing the treatment works,
- A plan for funding operation and maintenance activities

Architectural and Engineering (A/E) Procurement



A/E contracts for projects identified as using funds “directly made available by” a capitalization grant (i.e. equivalency projects) must comply with the elements of the procurement processes for A/E services as identified in 40 U.S.C. 1101 *et seq.*, or an equivalent State requirement.

Cost and Effectiveness Analysis (CEA)



CWSRF borrowers must certify:

- A. They have studied and evaluated the cost and effectiveness of the processes, materials, techniques, and technologies for carrying out the proposed or activity for which assistance is sought under this title; and
- B. They have selected, to the maximum extent practicable, a project or activity that maximizes the potential for efficient water use, reuse, recapture, and conservation, and energy conservation, taking into account —
 - (i) the cost of constructing the project;**
 - (ii) the cost of operating and maintaining the project or activity over the life of the project or activity; and**
 - (iii) the cost of replacing the project.**

REPORTING REQUIREMENTS



- The FY 2017 Capitalization Grant imposes reporting requirements for the GREEN Project Reserve funding and tracking of the additional subsidy funding.
- TDEC is required to report to the EPA on a quarterly basis in the CWSRF Benefits Reporting System (CBR) the environmental benefits, GPR, and other project-related information.

FY 2017 CWSRF Funding Criteria



- Each community will be limited to one FY 2017 CWSRF Cap Grant loan.
- Each subsidized loan will be limited to \$3.0 million.
- Term of loan will be a maximum of 30 years or the useful life of the project whichever is shorter.
- The FY 2017 Cap Grant funds will be awarded as 10% principal forgiveness and 90% loan.

FY 2017 CWSRF Funding Criteria *cont.*



- All Cap Grant funded projects will be required to comply with all current CWSRF rules, regulations, policies, and procedures as well as the Davis-Bacon Wage Rates, AIS, GAAP, FSP, and CEA requirements.
- To be considered for FY 2017 CWSRF Green Project Reserve (GPR) funding, **not less than 20%** of the total project cost must be used towards the green component.

FY 2017 CWSRF Funding Criteria *cont.*



- If the green component cost is less than 20% of the total project cost, the total project funding will be adjusted such that the green component cost will be equal to 20% of the funded project cost.

CWSRF Financial Status - 2017



- FY 2017 Capitalization Grant: **\$19,259,000**
- 20% State Match: **\$3,851,800**
- Administrative fees: **1/5% of the current value of the fund**
- FY 2017 Cap Grant Project Funds: **\$23,110,800**
- Prior year carry-over funds: **\$152,819,592**
- Estimated FY 2017 Loan Repayments: **\$33,813,041**
- Estimated FY2017 Interest earnings: **\$1,864,324**
- Total CWSRF Fund: **\$240,132,644**

Administrative Fee



To cover the reasonable costs of administering the fund, the State may use:

- Up to 4% of all grant awards received by the State CWSRF, **or**
- \$400,000 per year, **or**
- 1/5% of the current valuation of the Fund

CWSRF Long-term Goals & Objectives



- Maintain a self-sustaining revolving loan program to provide local governments with low-cost financial assistance for wastewater facilities projects.
- Protect and enhance the water quality in Tennessee by ensuring the technical integrity of funded projects.

CWSRF Short-term Goals & Objectives



- Maximize funds available in the CWSRF Loan Program through cooperation with the EPA.
- Manage an effective and efficient CWSRF Loan Program.

Disadvantaged Business Enterprises



- Projects must meet Disadvantaged Business Enterprise (DBE) solicitation requirements.
- The 2017 goals for DBE participation are:
 - 2.6% construction
 - 5.2 % supplies, services, and equipment

OTHER PERTINENT INFORMATION



Environmental Review

The state conducts an environmental review similar to a National Environmental Policy Act (NEPA) review as outlined in the state's approved Operating Agreement with EPA.

Loan Fee

A loan fee of 8 basis points (0.08%) will be charged on the CWSRF loans.

Prior Year Capitalization Grants and State Match



- Due to a shortage of State appropriation funds, the Department elected to utilize “PVE Stripper Well” funds to complete the State’s matching requirement (\$2,297,148) relative to the FY2015 CWSRF Cap Grant.
- Due to a shortage of State appropriation of matching funds, the Department applied for \$7,124,000 in FY2016 Cap Grant funds. The Department has now received a special appropriation to complete the State matching requirements (\$2,457,000) relative to FY2016 CWSRF Cap Grant funds.

DRAFT Priority Ranking List



CLEAN WATER STATE REVOLVING FUND FY 2017 Priority Ranking List

COMPREHENSIVE LIST

*Includes 5 points for having an approved Growth Plan

COMPREHENSIVE LIST

FP 2017 Priority Ranking List

Total CWSRF \$ 365,261,160

\$ 139,654,000

Total Green Requested

*Includes 5 points for having an approved Growth Plan

Rank Order	Priority Points*	ATPI	Population	NPDES#--TN...	CDBG without SRF SRF without CDBG CDBG and/or SRF	Local Government	County	Project Description	Total Project Amount (\$)	Running Total of Total Project Amount Requested (\$)	GREEN Component Amount (\$)	Running Total of GREEN Amount Requested (\$)
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39	30.0	80	4,541	TN0020737	SRF	Ashland City	Cheatham	I/I Correction (SSES and rehabilitation of the collection system per results of study)	\$ 3,897,500	\$ 3,897,500	\$ -	\$ -
36	30.0	70	2,306	TN0022993	SRF	Carthage	Smith	I/I Correction (Rehabilitation of the collection system to include point repairs on approximately 30LF of sewerlines; replace approximately 1,000 LF of 12-inch diameter sewerline; and install approximately three manholes)	\$ 375,000	\$ 4,272,500	\$ -	\$ -
52	6.0	70	2,306	TN0022993	SRF	Carthage	Smith	WWTP Improvements— Secondary Treatment (Upgrades to the headworks and primary clarifier; replace two blowers and 6-inch sludge line; and install a new 6-inch plug valve and effluent sampler)	\$ 825,000	\$ 5,097,500	\$ -	\$ -
7	115.3	80	167,674	TN0024210	SRF	Chattanooga	Hamilton	WWTP Improvements - Advanced Treatment (Phase 2, Rehabilitation of the gravity thickener, thickener pumping stations, and grinder units)	\$ 3,000,000	\$ 8,097,500	\$ -	\$ -
8	115.3	80	167,674	TN0024210	SRF	Chattanooga	Hamilton	WWTP Improvements - Advanced Treatment (Phase 3, Construction of a new 1.1MG sludge holding tank; rehabilitation of the dewatering building; and replace digester pumps)	\$ 8,200,000	\$ 16,297,500	\$ -	\$ -
44	30.0	80	167,674	TN0024210	SRF	Chattanooga	Hamilton	I/I Correction (Construction of a 10MG Sewer Storage Tank, pump station, and associated appurtenances)	\$ 10,000,000	\$ 26,297,500	\$ -	\$ -
15	108.0	50	6,737	TN0021253	SRF	Church Hill	Hawkins	GREEN - Recycled Water Distribution (Installation of new pumps, piping, and electrical modifications to the recycle water system at the WWTP) Categorically Green	\$ 135,000	\$ 26,432,500	\$ 135,000	\$ 135,000
16	108.0	50	6,737	TN0021253	SRF	Church Hill	Hawkins	WWTP Improvements — Advanced Treatment (Improvements to the electrical/controls system and screens)	\$ 315,000	\$ 26,747,500	\$ -	\$ 135,000

Ability to Pay Index (ATPI)



The interest rate will be based on the community's Ability to Pay Index. Interest rates can vary from zero to 100% of the interest rate reported on the 20-year Bond Buyer Index and Municipal Market Data General Obligation Yields. The ATPI is revised every five years. The latest revision became effective January 1, 2015.

Affordability Criteria



Affordability criteria is based on the ATPI established by the University of Tennessee Center for Business and Economic Research. The allocation formula uses a broad definition of fiscal capacity such as income, unemployment data, population trends, per capita property tax base, and per capita sales. The intent is to measure fiscal capacity in terms of the available resources for paying for services.



Interest Rate Reference Tables



STATE REVOLVING LOAN INTEREST RATES

As of May 22, 2017

BOND BUYER

20 INDEX:(BB120)

3.73%

MUNICIPAL MARKET DATA

GENERAL OBLIGATION (MMDGO) YIELDS:

1 YR	0.83%
5 YR	1.30%
10 YR	2.01%
15 YR	2.46%
20 YR	2.72%
25 YR	2.81%
30 YR	2.87%

BASE RATES

FOR CALCULATION X ATPI

5 YR	0.99%
10 YR	1.60%
15 YR	1.99%
20 YR	2.27%
25 YR	2.50%
30 YR	2.62%

MMDGO USED AS MODIFIER:

ATPI		Int. Rate
10%	5 YR	0.10%
	10 YR	0.16%
	15 YR	0.20%
	20 YR	0.23%
	25 YR	0.25%
	30 YR	0.26%
20%	5 YR	0.20%
	10 YR	0.32%
	15 YR	0.40%
	20 YR	0.45%
	25 YR	0.50%
	30 YR	0.52%
30%	5 YR	0.30%
	10 YR	0.48%
	15 YR	0.60%
	20 YR	0.68%
	25 YR	0.75%
	30 YR	0.79%

ATPI		Int. Rate
60%	5 YR	0.59%
	10 YR	0.96%
	15 YR	1.19%
	20 YR	1.36%
	25 YR	1.50%
	30 YR	1.57%
70%	5 YR	0.69%
	10 YR	1.12%
	15 YR	1.39%
	20 YR	1.59%
	25 YR	1.75%
	30 YR	1.83%
80%	5 YR	0.79%
	10 YR	1.28%
	15 YR	1.59%
	20 YR	1.82%
	25 YR	2.00%
	30 YR	2.10%

Interest Rates



For FY 2017, the SRF Loan Program will continue to recommend the **additional 0.25% rate reduction** from the rates given in the interest rate table at the time of the loan application.

PUBLIC REVIEW & COMMENT



- Today's public meeting was announced on May 8, 2017.
- Public comment on the 2017 Intended Use Plan (2017 IUP) is invited.
- The comment period ends **June 26, 2017**.
- Copies of the 2017 IUP are available at the table. Copies can also be obtained from the TDEC website:
<http://tn.gov/environment/article/wr-srf-priority-ranking>

Questions



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